

# Trade the TPP

## Imagining a fair trade future



## What you need to know about the Trans-Pacific Partnership

### Backgrounder

#### What is the Trans-Pacific Partnership?

The Trans-Pacific Partnership (TPP) is a proposed new “free trade” agreement involving 12 member nations: Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States of America and Vietnam. Several Asian economies (notably China and Korea) are not participating in the TPP, although if signed it is anticipated that additional nations could join the trade bloc. Negotiations were completed in October 2015, and the agreement was signed by all participating nations in February 2016.

#### Where did the TPP originate?

The TPP as we know it today has evolved significantly from an earlier incarnation – a relatively small trade deal signed in 2005, involving Brunei, Chile, Singapore and New Zealand. Global attention was paid to the TPP after the United States lead efforts for an expanded deal in 2008 that would include Australia, Peru and Vietnam (and Malaysia shortly thereafter). The first round of expanded TPP talks took place in March 2010.

#### What's the United States' interest in a small-nation trade pact?

The U.S. has strong geopolitical (as well as economic) interests in this deal, taking steps to cement strategic ties with several Asian countries and counterbalance China's growing influence in the region. Specifically, the U.S. does not want China to become the 'centrepiece' of the Pacific economy. Some TPP members (like Australia) are already signing trade accords with China, and the U.S. would prefer that it determined the “rules of the road” for a Pacific trading system (that exported its own vision of capitalist market disciplines on emerging economies), rather than China.

#### When did Canada join TPP talks?

The former Harper government formally announced its willingness to join TPP talks in 2011, after nine rounds of negotiations had already taken place. One year later, Canada (along with Mexico) was invited to participate – joining the 15th round of talks in late 2012.

#### Why did Canada choose to come on board?

The Harper government's eagerness to join the TPP aligned with its own global economic development strategy that viewed “free trade” and investment agreements as a key driver. Under Harper, Canada penned 40 new free trade and foreign investment protection agreements – despite evidence that Canada's bilateral trade performance worsens when free trade agreements come into force (relative to our trade performance with nations where there is no free trade pact in place).

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**Unifor is urging federal Members of Parliament not to ratify the Trans-Pacific Partnership agreement. Canada's approach to global trade and investment must serve to enhance our collective economic and social development, and must be guided by progressive, fair trade principles.**

Others suggest that Canada's entry into TPP talks was a defensive move – to avoid the risk of being left out. In fact, Canada already has trade treaties with four of the larger participating nations (Peru, Chile, Mexico and the United States) and is in the midst of negotiating a bilateral agreement with Japan. Although the Harper government never conducted an economic impact assessment of the TPP, recent third-party studies suggest that its economic impact on Canada will be negative – or negligible, at best. It is true that there can be costs to being “left out” of a trade deal (particularly one that would serve as the primary rule-book on trade across the North American supply chain), although those costs are often exaggerated.

Take the Canada-Korea free trade deal for example. Supporters of the deal warned of the perils of Canada being left out, and losing preferential market access to Korea, after they had signed a pact with the United States. But it turned out the Korea-U.S. deal was not having a major impact on our exports to Korea, which continued to decline ever after we joined them in an FTA.

## **What if Canada says no to the TPP?**

The alleged risks of not entering the TPP trade zone must be weighed against the net costs and benefits of joining the deal – an analysis that the Harper government never bothered to do. In fact, most proponents of the TPP hedge their bets on the blind (and ideologically driven) faith that liberalizing trade and investment rules will always be good, for everyone involved. We know in past practice that is not always true.

If a trade deal does net damage to our key industries, and limits our collective ability to regulate in the public interest, then we should not be a part of it.

## **Now that the TPP is signed, what happens next?**

TPP rules require all participating nations to ratify the agreement within two years of its signing. That means the TPP must be ratified before February 2018 for it to take effect. TPP rules also require that at least six of the participating countries must ratify the deal, and those countries must represent 85 per cent of the region's GDP. Under these conditions, should either the U.S. or Japan decide not to ratify, then the TPP will be defeated.

Despite U.S. President Barack Obama's support for the TPP, it is quickly falling out of favour among U.S. citizens. In fact, three of the main Presidential candidates (Hillary Clinton, Bernie Sanders and Donald Trump) have publicly opposed the TPP in its current form. U.S. political opposition to TPP (in addition to growing public unrest in countries such as New Zealand, Peru and elsewhere) means that ratification is far from a sure thing.

In light of these shifting political headwinds, and despite ex-Harper government officials pushing hard for an immediate ratification vote, the Trudeau government would be wise to delay any final vote on the deal. The federal government has committed to carefully consult Canadians on the TPP - a welcome change to Stephen Harper's closed and secretive approach to trade negotiations. A proper economic impact assessment on the deal must still be conducted.

According to Trade Minister Chrystia Freeland the TPP text, as it is written, is non-negotiable (which is difficult to understand, since there is precedence for re-negotiating trade deals after they've been signed, including Minister Freeland's own renegotiation of the Canada-EU trade deal's investment chapter). Therefore, after public consultations have been completed, a parliamentary vote will determine whether Canada is in the TPP or out.



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